

EXHIBIT 1

Addendum No. 2 to D&O Protected Parties Settlement Agreement

Addendum No. 2 To D & O Protected Parties Settlement Agreement

This Addendum to the D&O Protected Parties Settlement Agreement (“Addendum”), upon filing with the United States Bankruptcy Court for the District of Delaware in Case No. 03-12872, is hereby incorporated into and made a part of the D&O Protected Parties Settlement Agreement by and among NorthWestern Corporation and the other parties thereto. The purpose of this Addendum is to clarify the D&O Protected Parties Settlement Agreement as follows:

1. This D&O Protected Parties Settlement Agreement provides that the parties to said Agreement release certain “Released Claims” as defined therein.

2. 3.1(b) of the D&O Protected Parties Settlement Agreement is hereby clarified to reflect that the D&O Protected Parties Settlement Agreement does not, and is not intended to, constitute a release of any of the following:

(a) any and all of Richard Hylland’s employment related claims (including those claims asserted in the pending arbitration proceeding) and the matters subject to the “Side Agreement” between Mr. Hylland and NorthWestern Corporation dated April 14, 2004.